Research Report on Investment Environment
Kaiping, Guangdong
Geographical Location of Kaiping
Kaiping is located in the southwest of the Pearl River Delta and is the center of the hometown of overseas Chinese in the five counties under Jiangmen City. It is a beautiful place, and is famous for its local watchtowers, ancient buildings and Chinese folk arts. Its significant cultural legacy, prosperous economy and rich natural and cultural sightseeing resources have made it one of the top one hundred cities in China. Kaiping boasts strong advantages and a promising outlook in terms of geographical location, economic foundation and living environment.

Shanghai Deloitte Tax Ltd. (“Deloitte” or “We”) is very happy to be commissioned by the People’s Government of Kaiping and the Scientific and Commercial Affairs Bureau of Kaiping to conduct a study on Kaiping’s investment environment from an objective third-party perspective and using a professional research and analysis methodology.

The report is based on the research, survey and company visits conducted by Deloitte among over 100 Kaiping-based companies. In order to systematically reflect Kaiping’s investment environment, Deloitte has used both qualitative and quantitative approaches in its analysis, and studies the degree of importance of and satisfaction with the following five dimensions:

- Government policies and services
- Business cooperation environment
- Infrastructure
- Human resources
- Living environment

The report also illustrates our interpretation of Kaiping’s development plan and investment policy and outlines Kaiping’s development advantages and outlook, which are mainly reflected in the following three aspects:

1. Significant geographical advantage and sound infrastructure
   Kaiping is located along the transport artery connecting the Pearl River Delta and southwest Guangdong, and is an important hub that links western Guangdong, HK and Macau. Its sound transportation infrastructure system is closely connecting Kaiping with Shenzhen, Guangzhou, HK and Macau, forming a geographical circle in which local businessmen can reach everywhere in two hours, and generating strong synergies between cities in terms of industrial development and facilities supporting the living environment.

2. Solid industrial foundation and strong economy
   After more than thirty years of development, Kaiping has established an advantageous industrial system dominated by the water heating and bathroom industry, the chemical fiber industry and the food industry. The city has an integrated industry chain and an obvious economy of scale, and its advantageous products enjoy a high reputation both domestically and abroad. As China’s economy transits, Kaiping is riding the trend. Backed on its solid economic foundation, the city is seeking an even wider development space in industrial adjustment and upgrading. The emerging electronics and electromechanical industries, and the green ecosystem economy represented by tourism and modern agriculture is rapidly growing. By now, Kaiping is seeing growth in a variety of sectors and both in domestic and overseas investment.

3. A rich cultural legacy and a good place to live
   Kaiping is a famous hometown of overseas Chinese. It is a place integrating both Chinese and overseas culture. Overseas Chinese from Kaiping are all over the world and many of them are leading members of their society. The watchtower and estates in the city are the only World Cultural Heritage site in Guangdong province, and are also an example of the merger of Chinese and western culture. The cultural tourism sites have attracted tourists from all over the world and the great natural environment in the city makes it a desirable place to live.
Content

1. Kaiping at a Glance  2
2. Government Policies and Services  13
3. Business Cooperation Environment  21
4. Infrastructure  29
5. Human Resources  36
6. Living Environment  41
   Summary  47
   Annex  48
1. Kaiping at a Glance

1.1 Kaiping at a Glance

1.2 Economic Development

1.3 Consumer Market

1.4.1 Advantageous Traditional Industry — Water Heating Industry

1.4.2 Advantageous Traditional Industry — Textile and Chemical Fiber Industry

1.4.3 Advantageous Industry System — Food Industry

1.5.1 Tourism

1.5.2 Tourism (Continued)

1.6 Modern Agriculture

1.7 Emerging Industry System
1.1 Kaiping at a Glance

Kaiping is located in the middle of the south Guangdong and southwest of the Pearl River Delta. It is close to HK and Macau and is an important hub connecting the Pearl River Delta with HK and Macau. Its administrative region covers 1,656.94 square kilometers and the city has a population of 684,700.

A developed vertical transport network allows Kaiping to be located within a 2-hour drive economic circle made up by developed cities in the Pearl River Delta. The road system made up of four vertical lines and two horizontal lines forms a living circle within half an hour’s drive. The Shenzhen-Maoming railway under construction and a series of expressways will greatly promote economic development in Kaiping and will further strengthen its geographical advantages.

Solid economic foundation
Kaiping’s traditional economy is dominated by the water heating and bathroom product industry, the textile industry and the food industry, all of which have strong industry cohesiveness and a wide range of influence. Hence, Kaiping is named China’s kingdom of water heating and bathroom products, China’s textile industry base and China’s top city in the food industry.

In recent years, Kaiping’s industry structure has become more sustainable thanks to the development of tourism, emerging industries and modern agriculture.

Tourism attraction and famous cultural city
With the Kaiping Watchtower and Estates, the only world cultural heritage site in Guangdong province, Kaiping has become a virtual tourism attraction. The watchtower combining both western arts and Chinese culture, as well as the scattered estates and beautiful garden scenes have been merged and provide a good environment for vacation, leisure and a peaceful and joyful place for working and living.

Kaiping is also the hometown of many famous people. There are 750,000 Kaiping-born overseas Chinese spread over 67 countries and regions. Situmeideng, the founder of the China Zigong Party, and Quo-wei Lee, the former president of Hang Seng Bank, as well as many other influential figures in HK and Macau, all came from Kaiping. Together they created a magnificent cultural history for this hometown of overseas Chinese.

Kaiping’s honors

- One of the top 100 cities in China
- Nation-level garden city
- China’s excellent tourism city
- City of Chinese watchtowers
- City of Chinese folk art
- City of ancient Chinese buildings
- China’s textile industry base
- China’s top city in the food industry
- China’s tap production base

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
1.2 Economic Development

Steady growth of the regional economy
In 2013, Kaiping’s GDP reached RMB 26.02 billion, up 10.2% year on year. Between 2009 and 2013, the city’s GDP increased by 11.5% per year on average.

Optimizing the economic structure
In 2013, the secondary sector of the economy generated an added value of RMB 13.13 billion in Kaiping, accounting for over 50% of the total added value of the three main sectors of the economy. The tertiary sector generated an added value of RMB 10.29 billion, up 11.2% year on year, growing the fastest among the three major sectors. During the past three years, the added value generated by primary and secondary sector industries in Kaiping as a percentage of local GDP has gradually declined, while the proportion generated by the tertiary industry has gradually increased, reflecting an optimizing economic structure.

Rapid growth in external trade
During the recent years, the external economy of Kaiping also rapidly increased. Imports and exports have continued to grow. In 2013, imports and exports of Kaiping reached USD 2.47 billion, up 11.2% year on year. Exports and imports reached USD 1.88 billion and USD 590 million, respectively.
1.3 Consumer Market

Active consumer market
In 2013, the total retail sales of social consumer goods reached RMB 14.51 billion, up 10.5% year over year. The sales of wholesale industry, accommodation and catering industries continued to grow.

Residents’ income increases steadily
Along with the rapid regional economic growth, the overall income level of residents in Kaiping has also increased significantly. In 2013, the disposable income of urban residents and the per-capita net income in the countryside have both increased over 10%.

The rising income of residence continues to drive buying power and injects potential into Kaiping’s consumer goods market, laying a foundation for prosperity.

The biggest complex being developed in western Guangdong
Donghui City is a HOPSCA that is located in Kaiping and integrates commercial properties, hotels, offices and a residential community. The complex has a total floor area of 800,000 square meters, including a shopping mall, high-end residential units, commercial buildings, international apartments and starred hotels. The shopping mall has already opened. After the complex is completed, it will bring a modern one-stop consumer experience to the citizens of Kaiping.
1.4.1 Advantageous Traditional Industry — Water Heating Industry

After about 30 years of development, the water heating and bathroom industry in Kaiping has become a mature industrial cluster that integrates both production centers and exhibiting and marketing centers with a leading position in the domestic market. The city’s reputation and the wide-ranging influence of the city’s industries have helped the city earn the titles of China’s tap production base and kingdom of water heating and bathroom products.

By the end of 2013, there were over 1,100 Kaiping-based companies producing and marketing water heating and bathroom products, and they employed over 70,000 staff. These companies export products to Europe, America, Southeast Asia, the Middle East, HK and Macau.

Half of the Market in China’s Water Heating and Bathroom Industry

The China Bathroom City in Kaiping is a modern one-stop distribution center for water heating and bathroom products. The center covers about 85,000 square meters, including a 5,000 square meter exhibition hall on the first floor and about 200 stores. The center is a water heating and bathroom product trading platform that combines product exhibitions, trading, e-commerce and business negotiations.

China Bathroom City regularly holds the China (Water Gap) Water Heating and Bathroom Equipment Fair. As an important fair for China’s water heating and bathroom industry, it attracts customers from around the world and is globally highly recognized.

Water Heating and Bathroom Product Trading Platform that Reaches the Entire Country

Total output of Kaiping’s water heating and bathroom industry in 2013

RMB 9.36 billion

Exported water heating and bathroom products as a percentage of total production of Kaiping’s water heating and bathroom industry exceeded 60%

Share of domestic market 48%

The biggest among China’s top three water heating and bathroom industrial clusters
1.4.2 Advantageous Traditional Industry — Textile and Chemical Fiber Industry

**Significant economy of scale**
Textiles and chemical fibers are the traditional pillar industries for Kaiping, and are also the first two industries started to and achieve an economy of scale. Kaiping used to be awarded the titles of China textile industry base and national famous town for jeans wear.

At the end of 2013, there were about 150 textiles companies in Kaiping, each of which generated over RMB 5 million sales. There was over 70 larger-scale companies. The total annual output of the textile industry was about RMB 7.4 billion.

**Complete industry chain**
After decades of development, the textile and chemical fiber industries in Kaiping include a complete industry chain that covers raw materials production, spinning, weaving, painting and clothes processing. Its jean cloths, chemical fibers, printed cloths, non-woven fabrics and yarns are all well-known in the world.

**Prominent market position**

**Kaiping has a leading position in Guangdong provinve in the chemical fiber industry. The chemical fiber products manufactured in Kaiping have a 70% market share in Guangdong.**

**Kaiping is one of the top five jean casual clothes production bases in China. Its jean cloth exports represent one third of total exports of Guangdong province.**

**The annual production of non-woven fabrics in Kaiping exceeds 10,000 tons, making the city one of the top three non-woven fabrics production bases in China.**

**Deloitte’s observation**
Over recent years, backed by its strong industrial foundation, Kaiping has been committed to innovative development and industrial upgrading, and has attempted to achieve sustainable development in the constantly-changing economic environment. This has also created opportunities for companies in Kaiping, such as building proprietary brands, researching and developing high-end products, strategic cooperation and M&A and restructuring.

**Renowned textile and chemical fiber companies in Kaiping (Examples)**

- Guangdong Kaiping Chunhui Co., Ltd.
- Guangdong Taibao
- Yongjia Textile
- Benda Group
- Lianxin Group
- Kaiping Fulin Textile Clothing Co., Ltd.
1.4.3 Advantageous Industry System — Food Industry

**Significant economy of scale**

Kaiping has always had the title of national food industry city. The food industry in the city started early and has a complete industry chain and significant economy of scale. The food industry is one of the most influential industries in the city.

At the end of 2013, there are over 130 food companies in Kaiping, with a total annual output of RMB 3.3 billion. There are 14 larger-scale enterprises, with 5 companies generating annual sales of over RMB 100 million each.

**Many prestigious brands**

Thanks to its solid industry foundation and benign development environment, there are many prestigious food brands in Kaiping, including

- **30** above-province level brands
- **5** nation-level brands

Thanks to the booming private economic growth during recent years, a number of sizable and renowned private food companies emerged in Kaiping, including Guangzhonghuang, Jianzhiyuan, Bellishan, Wangpin, Guanqi, Kewei and Huahong.

**Promising outlook**

Kaiping has always treated the food industry as its dominant industry and has constantly increased investment in innovation through the leading companies’ impact on the overall industry and has encouraged new product development.

Going forward, the food industry in Kaiping will continue to grow its total industry production and will create an even more favorable development environment for the production of characteristic food, green food and functional and health food.

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**Famous food companies in Kaiping (Example)**

<table>
<thead>
<tr>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guangdong Jiashili Group Co., Ltd.</td>
</tr>
<tr>
<td>Kaiping Weishida Seasoning Co., Ltd.</td>
</tr>
<tr>
<td>Kaiping Guanghe Bean Curd Co., Ltd.</td>
</tr>
<tr>
<td>Kaiping Jianzhiyuan Health Food Co., Ltd.</td>
</tr>
</tbody>
</table>
1.5.1 Tourism

As the hometown of many overseas Chinese, a city of ancient buildings, a city of Chinese folk art and a city of watchtowers, Kaiping has rich tourism resources. The city has a rich natural scenery, an abundant cultural legacy, and is an ideal place for leisure activities and travelling. The watchtowers and estates in Kaiping are the only world cultural heritage site in Guangdong and are famous at home and abroad.

Development of Kaiping’s tourism industry

In 2013, visits from domestic and overseas tourists exceeded 5 million. Total revenue of the tourism industry exceeded RMB 3,800 million.

Watchtower and estates

Kaiping watchtowers are a kind of multi-layer residential buildings where people can defend themselves from external enemies and floods and at the same time maintain comfortable living conditions. They have integrated Chinese, ancient Greek, ancient Romanian and Islamic cultural factors and architectural styles. They are a historical cultural legacy that combines both Chinese and western factors.

The watchtowers spread in estates of Kaiping were built among the beautiful natural scenery in the city, becoming very attractive tourism resources. In 2007, Kaiping watchtowers and estates were officially confirmed as a world cultural heritage.

Awards earned by the city of watchtowers

- 2013: One of the ten most beautiful estates in Guangdong (Zili Estate)
- 2012: Most popular tourism destination in Guangdong
- 2011: Most popular domestic tourism destination of the year in China’s travel assessment
- 2008: Characteristic tourism estate in Guangdong (Zili Estate)
- 2007: World Cultural Heritage Site
- 2005: Excellent Tourism City in China
### 1.5.2 Tourism (Continued)

Some watchtowers date back to the 16th century (the late Ming Dynasty). Their artistic achievements peaked at the end of the 19th and early 20th century. The watchtowers have become an epitome of the history of overseas Chinese, as well as their social status and cultural tradition.

<table>
<thead>
<tr>
<th>Kaiping watchtower and estates</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Some watchtowers date back to the 16th century (the late Ming Dynasty). Their artistic achievements peaked at the end of the 19th and early 20th century. The watchtowers have become an epitome of the history of overseas Chinese, as well as their social status and cultural tradition.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Zili Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Named as one of the 50 places most worth visiting by foreigners and the most beautiful estate in Guangdong</td>
</tr>
<tr>
<td>• 15 distinct and exquisite watchtowers form a foreign style castle cluster against local estates and residential buildings. They reflect the culture of this hometown of overseas Chinese.</td>
</tr>
<tr>
<td>• The estate includes countryside gardens, lotus ponds and other eco-agricultural resources.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Li Garden</th>
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<tbody>
<tr>
<td>• National AAAAA-level tourist area, national important culture relic protection site</td>
</tr>
<tr>
<td>• Overseas Chinese gardens integrating Chinese classic garden construction arts and elements of western architecture</td>
</tr>
<tr>
<td>• Gardens, villas and air corridors are connected, there are gardens within gardens</td>
</tr>
<tr>
<td>• Eco-friendly scenic spots integrating watchtowers, estates, hillsides and gardens</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Majianglong</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Named the world’s most beautiful estate by UNESCO’s World Heritage Committee</td>
</tr>
<tr>
<td>• Backed by Baizu Mountain, facing the Tan River, beautiful scenes and fresh air</td>
</tr>
<tr>
<td>• 7 watchtowers and 8 western-style villas coupled by ancient residential buildings made of black bricks</td>
</tr>
<tr>
<td>• An original ecological resort integrating estates in the south of the five ridges, watchtower art and natural scenes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chikan Ancient Town</th>
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</thead>
<tbody>
<tr>
<td>• A southern Chinese town built 350 years ago, with many cultural relics and historical sites, former residence of celebrities and relics of ancient commercial ports.</td>
</tr>
<tr>
<td>• Over 600 towers built along the river, bridge buildings were as long as 3 kilometers, creating an exotic atmosphere.</td>
</tr>
<tr>
<td>• The famous Chikan Studio City is located here, nicknamed Hollywood in South China. There is a blooming cultural industry.</td>
</tr>
</tbody>
</table>

Source: Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
1.6 Modern Agriculture

Modern agriculture has an important position in Kaiping’s eco-friendly economic development, and is also one of the advantageous industries in Kaiping. In 2010, Kaiping was nominated as a member of China’s first batch of national modern agriculture demonstration zones. The city has a number of leading enterprises and prestigious agricultural brands. Kaiping is an agricultural product supply and export base facing the urban megalopolises of the Pearl River Delta, HK, Macau and Southeast Asia.

Mechanization and technicalization
Over recent years, Kaiping has been committed to agricultural mechanization and technicalization. Through many exemplary programs of mechanization, Kaiping has built the largest composite professional agricultural mechanization market in Guangdong province, and achieved a step change development in the mechanization of agricultural production. The mechanization of agricultural production is among the most advanced in Guangdong. In addition, Kaiping has created advantages in standard farmlands, greenhouses, rainmaker equipment building and automation of breeding facilities.

Agricultural industrialization
Through industrial operations, Kaiping has fostered a number of organizations with economies of scale and industrial influence. Progress has been made in agricultural industrialization. At present, there are 24 leading agricultural companies in the city, including 4 provincial level enterprises with annual sales exceeding RMB 3.2 billion.

Agricultural product processing and brand development
Kaiping has promoted the development of agricultural product processing through many incentive policies and the construction of many agricultural product processing industrial parks. By the end of 2013, about 10 above-scale agricultural product deep processing companies are located in Kaiping, with over RMB 1 billion in annual output.

Agricultural sideline products with Kaiping characteristics include bean curd, soy sauce, flour, biscuits and rice. Representative brands include Guanghe Bean Curd, Weishida Soy Sauce, Jiashili Group and Kailan Flour. Kaiping now has 65 agricultural products with three qualifications and one certificate.

Green food
Kaiping has a solid foundation for the planting, breeding and fishing industries. It is incorporated into the advantageous rice district of the southeast coastal area, the coastal pig breeding area, the southeast export marine product advantageous breeding belt and the planned south potato advantageous area. Green agricultural products include rice, fruit, vegetables, animal products and fresh water products, all of which have a high reputation in Guangdong and around the country.

Modern provincial agricultural parks (Examples)

| National modern agricultural demonstration technology park |
| Cross-strait agricultural cooperation demonstration park |
| Jianzhiyuan green recyclable agricultural park |
| High-quality live pig breeding core demonstration park |
Kaiping has been committed to optimizing and upgrading its industry structure and aims to becoming an advanced manufacturing base and regional trade and logistics center with a reasonable industry layout and an advantageous emerging industry system. The city’s advantageous industries include new materials, high-end equipment manufacturing, new-generation information technology and biological pharmaceutical industries.

**Biopharmaceutical industry**

Kaiping already has a group of biopharmaceutical companies, which form a sizable industry cluster. Important sectors include modern new traditional Chinese medicine, healthcare product, medical apparatus and medical materials. The city has successfully introduced biopharmaceutical companies with strong R&D capabilities.

**Examples of key biopharmaceutical companies**

- Guangzhou Bidi Pharmaceutical Co., Ltd.
- Kaiping Qianniu Biochemical Pharmaceutical Co., Ltd.
- Baiao Pharmacy

**New materials**

Currently, Kaiping’s new material industry led by the fine chemical engineering industry is rapidly gaining momentum. Backed by Yueshan chemical special district and advantages in the chemical industry of the Changcheng glue base, Kaiping has vigorously developed eco-friendly and branded chemical materials. Many leading companies have established strong brands in the industry. In addition, Kaiping will attract an array of companies represented by high-performance structural materials and new textile materials so as to improve the auxiliary functions and build new materials industrial clusters.

**High-end equipment manufacturing**

The high-end equipment manufacturing represented by the production of power generation and electromechanical equipment is another rapidly emerging industry in Kaiping. A number of renowned professional manufacturers are located in Kaiping, represented by Haihong Electrical Co., Ltd. In the future, besides developing electric equipment manufacturing and related supporting industries, Kaiping will also be committed to the development of construction machines, textile equipment manufacturing, auto parts manufacturing and ship machinery.

**Examples of important new-generation information technology companies**

- Elec & Eltek International
- Renxing Electric Appliance
- Bothhand Electronics

**New-generation information technology**

Kaiping has built a new-generation information technology industrial cluster led by electronic information. At the end of 2013, Kaiping had 18 electronic manufacturing companies, with an annual total output of RMB 6 billion. In the future, Kaiping will gradually become a integrated circuit plate R&D center dominated by integrated circuit plate, home appliance parts and home appliances, as well as a leading home appliance R&D and manufacturing base in Guangdong.
2. Government Policies & Services

2.1 Research Summary on Government Policies and Services

2.2 Encourage Foreign Investment and Headquarters Development

2.3 Promote Industrial Park development

2.4 Promote Restructuring and Upgrading

2.5 Talent Attraction Policy

2.6 Government Services
Introduction

Scientific and rational government policies, as well as convenient and efficient government services can create a business-friendly environment and promote regional economic development.

The Kaiping Municipal Government has made active efforts to enhance the guiding role of policies, attract foreign investment, develop the headquarters economy, establish distinct industrial parks and bring together a large number of talents so as to facilitate the implementation of various investments and achieve sustainability for the subsequent operations of enterprises.

At the same time, Kaiping Municipal Government has also created a high-quality environment for investors by effectively enhancing administrative efficiency and improving government services under the “people-oriented” service concept.

Company statement

To improve the overall investment environment, Kaiping should attach importance to infrastructure, administrative services, personnel support and the effectiveness of the legal system. For an enterprise, the most important thing is, of course, the condition of the investment environment and the degree of preferential policies, but it will gradually put more emphasis on administrative services and the legal environment.

——Rousselot (Guangdong) Gelatin Co., Ltd.
2.1 Research Summary on Government Policies and Services

Feedback from the survey

- The importance rating of this dimension is 8.38 points;
- The satisfaction rating of this dimension is 8.15 points;
- In this dimension, according to the participants, the most important aspects are the government’s service awareness, administrative efficiency, policy impartiality and transparency, as well as enterprise support policies and their implementation.
- In this dimension, according to the participants, the most satisfactory aspects are the government’s service awareness, administrative efficiency, information security and protection, as well as the impartiality and transparency of government policies.

Detailed importance / satisfaction

| Government service awareness and administrative efficiency | 8.5 |
| Government policy impartiality and transparency | 7 |
| Business support policies and their implementation | 7.5 |
| Talent attraction policies | 7 |
| Technological innovation and promotion policies | 6.5 |
| Intellectual property protection | 6 |
| Information security and protection | 7 |
| Legal system development level | 8 |
| Sustainable development level | 8 |

[Importance Rating, Satisfaction Rating]
2.2 Encourage Foreign Investment and Headquarters Development

Encourage foreign investment

To optimize the environment for - and attract - foreign investment, Kaiping has developed a range of supportive policies regarding land supply, tax incentives, investment incentives and other aspects in an effort to promote foreign capital investment expansion and new businesses.

Promote regional headquarters development

To encourage the development of regional Headquarters, Kaiping has issued financial support policies for regional Headquarters. As of June 2014, Kaiping municipality has identified eight companies as regional Headquarters located in Kaiping, including Guangdong Jiashili Food Group Co., Ltd.

### Conditions for financial support application

- Regional headquarters: independent legal entity registered in Kaiping municipal districts but with some of its production and operation units outside the jurisdiction; it implements a centralized financial accounting policy, unified commodity allocation and pays tax uniformly in Kaiping, moreover, it shall invest and manage under authorization and serve no less than 3 enterprises.
- Promise that it will not move out of Kaiping in the next five years.
- The actual amount of annual "three-tax" paid in Kaiping is no less than 3 million.
- Honest operation, pays tax according to the law, with no bad records such as tax arrears or unpaid fees.

### Financial support measures for regional Headquarters

#### New enterprise

- Established after January 1, 2013
- If the annual amount of "three-tax" is no less than RMB 3 million, the amount of financial support will be 50 percent of annual local retention.

#### Previous enterprise

- Established before January 1, 2013
- If the annual amount of "three-tax" is no less than RMB 3 million, the amount of financial support will be given at a certain percentage of the annual incremental local retention.

### Examples of specific policies

<table>
<thead>
<tr>
<th>Foreign investment encouragement policies</th>
<th>Examples of specific policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferential supply of land and incentives</td>
<td>Encouraged projects that meet the requirements will be first in line to be provided with land; and enterprises whose average annual tax revenue of the previous three years reached RMB 150,000/Mu (1 Mu = 0.165 Acre) will be rewarded.</td>
</tr>
<tr>
<td>New business incentives</td>
<td>The reward will be issued since the date of project completion and acceptance and calculated based on the local retention of the actual payment of the &quot;three-tax&quot;[^2], i.e. equal to 50 percent of the amount during the first three years and 30 percent of the amount during the next two years.</td>
</tr>
<tr>
<td>Capital expansion incentives</td>
<td>If the local retention of the &quot;three-tax&quot; increases more than RMB100,000 year on year, the increased portion will be rewarded at a rate of 60 percent of the amount during the first three years and 40 percent of amount during the next two years.</td>
</tr>
<tr>
<td>Investment incentives</td>
<td>Any units or individuals successfully introducing foreign investment projects that meet the requirements will be rewarded.</td>
</tr>
<tr>
<td>Special project incentives</td>
<td>Fortune Global 500 companies, high-tech and strategic emerging industries, high taxes and influential large foreign investment projects will be treated preferentially according to the principle &quot;one project one discussion and handling special cases with special methods&quot;.</td>
</tr>
</tbody>
</table>

### Sources:

[^1]: Circular of Kaiping on the Issuance of Foreign Investment Encouragement Interim Measures (K.F.B. [2012]No. 60)
[^2]: "Three-tax" refers to the value-added tax, business tax and enterprise income tax
[^3]: Circular of Kaiping on the Issuance of Supportive Measures for Regional Headquarters Development Promotion (K.F.B. [2013]No. 41)
2.3 Promote Industrial Park Development

**Introduction to industrial park policies**
Cuishanhu Industrial Transfer Park and the Township Industrial Concentration District are the key development zones of Kaiping. Fortune Global 500 companies, well-known domestic and foreign enterprises, state-level high-tech projects, strategic emerging industrial projects, and large influential projects that pay high taxes settled in the zones will enjoy preferential treatment according to the principle of one project one discussion and handling special cases with special methods.

**Investment incentives of Cuishanhu Industrial Transfer Park**
Cuishanhu Industrial Transfer Park is one of the pioneer pilot industrial transfer parks in Guangdong province. To develop it into a comprehensive environment-friendly industrial park characterized by industry-led clusters integrating modern manufacturing and modern services, Kaiping has introduced relevant preferential policies.

**Examples of preferential policies of Cuishanhu Industrial Transfer Park**

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-stop agency services</td>
<td>The Management Committee of the Park is responsible for providing professional investment advice, dealing with relevant procedures, assisting project construction and other &quot;one-stop&quot; services; the relevant departments of the city should actively cooperate and open green channels.</td>
</tr>
<tr>
<td>Financial support policy</td>
<td>Enterprises settled in the Park will enjoy five years of financial support from the year of construction completion specified by the investment contract.</td>
</tr>
<tr>
<td>Loan interest subsidy</td>
<td>If the enterprise is settled in the key park and falls into the category of an important industry, it is eligible to enjoy the loan interest subsidy policy issued by Guangdong province for important industrial projects located in key industrial parks.</td>
</tr>
<tr>
<td>Special incentive for technological innovation</td>
<td>National and provincial key laboratories, corporate engineering technology research centers, corporate technology centers and national high-tech enterprises will enjoy special incentives. Public offering is encouraged, and patent implementation and industrialization is supported.</td>
</tr>
</tbody>
</table>

**Investment incentives of the Township Industrial Concentration Districts**
To promote the development of four township industrial concentration districts (Shuikou, Shanyue, Shatang and Cangcheng), industrial projects with an investment of more than RMB15 million and meeting the requirements of relevant industrial policies will enjoy some preferential treatment.

**Examples of preferential policies of Township Industrial Concentration District**

<table>
<thead>
<tr>
<th>Category</th>
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<tr>
<td>One-stop agency services</td>
<td>The local township government is responsible for providing professional investment advice, dealing with relevant procedures, assisting project construction and other &quot;one-stop&quot; services; the relevant departments of the city should actively cooperate and open green channels.</td>
</tr>
<tr>
<td>Special support fund</td>
<td>Earmarks to support the construction of infrastructure in approved areas of the Concentration District</td>
</tr>
<tr>
<td>Reported construction cost subsidy</td>
<td>The local township financial department will subsidize 100 percent of its reported plant construction cost for new projects that meet certain conditions.</td>
</tr>
<tr>
<td>Special R&amp;D subsidy</td>
<td>The local township financial department will grant special R&amp;D subsidies to new projects that meet certain conditions based on a percentage of its local retention of annual “three-tax”.</td>
</tr>
<tr>
<td>Preferential land supply</td>
<td>Projects that reach certain standards with regard to investment scale and investment intensity and leading enterprises of the three pillar industrials (textiles and clothing, plumbing and bathroom and food) will enjoy a preferential land supply policy.</td>
</tr>
</tbody>
</table>

Sources:
2.4 Promote Restructuring and Upgrading

Support and incentive for industrial enterprise’ capital expansion projects

To promote the restructuring and upgrading of industrial enterprises, Kaiping city provides special support and incentives to projects with an investment over RMB 5 million are within the range as prescribed in the High and New Tech Fields under the Key Support of the State, traditional industries and emerging industries of strategic emerging industrial projects (textile and chemical fiber, bathroom plumbing, food industry, electronic information, bio medicine, equipment manufacturing, metal machinery and new materials industries).

Examples of support and incentives of capital expansion projects

Capital expansion projects of industrial enterprises can enjoy three incentives, i.e. new tax incentives, special loan subsidies and technological innovation grants.

Promote the restructuring and listing of enterprises

To foster listed companies, further optimize the financial environment, and improve corporate governance, Kaiping has issued a variety of supportive policies, including green channels and special funds, to encourage enterprises of different types of ownership to be reorganized and listed.

Enhance Fostering of Companies as Reserved Resources for Public Offering

- Identify key companies to foster for listing
- Regularly hold lectures and seminars on company listing and capital operations
- Proactively extend the role of GF Securities and ChinaLin Securities in fostering of companies as reserved resources for public offering, and create channels for companies going public

Reduce the Cost of Restructuring for Proposed Companies

- 50% discount on the transaction fees of proposed companies for restructuring and reorganization
- No fees will be charged for the transfer of ownership of eligible land use permits, real estate licenses, vehicle permits, water and power supply indicators, qualifications, self-owned industrial properties
- Upon approval of the government, land transfer fees can be paid in several installments within one year

Create Favorable Environment for Enterprise Development

- Ensure power and water supply
- Deliver quality services to facilitate talents introduced by enterprises to settle down, help them go through personnel relations procedures, provide assistance for their children’s education and provide affordable housing
- Create a sound financial environment

Sources:
2.5 Talent Attraction Policy

Overall objective of the talent attraction policy
Kaiping city has innovated its talents policy and personnel system and introduced a series of preferential policies to attract talents.

Protection and services for high-level talents
Various departments in Kaiping will actively help high-level talents to settle down and ensure that they have no worries when they work and start a business in Kaiping.

Facilitate enterprise talent introduction

Examples of corporate preferential policies on recruitment of college graduates
- Social security subsidies
  - Certain social security subsidies will be granted when small and micro enterprises employ college graduates by signing more than a one-year labor contract and pay social security fees according to regulations.
- Job subsidies
  - Job subsidies will be provided when enterprises employ college graduates by signing more than a one-year labor contract and pay social security fees according to regulations.

Incentives for high-level talents
- Provide subsidies for doctoral and graduate students to settle down

Incentives for college graduates
- Provide incentives to undergraduates or graduates of key national institutions who voluntarily work in Kaiping

Incentives for highly skilled talents
- Provide one-time incentive package to highly skilled talents who have obtained appropriate professional qualifications

Incentives for entrepreneurs
- Provide funding to independent entrepreneurs who meet certain conditions

Protection and services for high-level talents
- Provide preferential treatment to high-level talents, competitive talents and practical talents and their spouses, including providing free education for their children, help them choose schools and preferential social security treatment
- Create "one-stop" service mechanism for outstanding talents and process employment, personnel agency, household procedures and schooling of children in a centralized manner
- Take an "one person, one policy" approach towards special high-level talents

Sources:
① Provided by Kaiping Municipal Human Resources and Social Security Bureau
2.6 Government Services

People and service-oriented government
Adhering to the "people-oriented" service concept, the People’s Government of Kaiping has established an administrative service center to further improve processing efficiency, optimize the business environment and provide strong guarantees for the sustained, healthy and stable development of Kaiping’s economy and society.

Diversified service platform
The Kaiping municipal government has proactively promoted platform construction and completed the construction of three industry technology centers to provide enterprises with industrial training, technical advice, product testing and product R&D. Meanwhile, Kaiping also built two test platforms to effectively promote the optimization of product quality and technological advancement.

<table>
<thead>
<tr>
<th>Platform Type</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Technology Center</td>
<td>• Technology Innovation Center, Guangdong Kaiping Textile and Apparel Base</td>
</tr>
<tr>
<td></td>
<td>• Bathroom Plumbing Technology Innovation Center</td>
</tr>
<tr>
<td></td>
<td>• Kaiping Condiment Technology Innovation Center</td>
</tr>
<tr>
<td>Test Platform</td>
<td>• Guangdong Quality Supervision and Inspection Station for Bathroom Products</td>
</tr>
<tr>
<td></td>
<td>• Jiangmen (Kaiping) Textile and Apparel Product Quality Supervision and Inspection Station</td>
</tr>
</tbody>
</table>

Company Statement
To further improve the market economy, government transformation is the key. During this process, the government’s economic behavior will definitely undergo changes from content to behavior. Kaiping considers the improvement of the investment environment as a major economic action of public service government during the new age, which is in line with the scientific concept of development, the inherent requirements of government functions, and the fundamental needs of investors. Therefore, it is conducive to the formation of a scientific relationship between governments and enterprises and the promotion of economic growth.

—— Kaiping Yujin Textile Co., Ltd.

Sources:
1) Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
3. Business Cooperation Environment

3.1 Research Summary on Business Cooperation Environment
3.2 Foreign Investment Situation
3.3.1 Core Park —— Cuishanhu New District
3.3.2 Core Park —— Cuishanhu New District (Continued)
3.4 Other Major Industrial Parks
3.5 Supporting Business Facilities
A sound business corporation environment, as an important indicator to measure regional competitiveness, is a prerequisite for business investment and talent attraction. At present, Kaiping has Cuishanhu Industrial Transfer Park and a number of industrial clusters including Shuikou, Yueshan, Cangcheng and Shatang industrial clusters, and provides conducive carriers and platforms for urban industrial development in the future.

Kaiping is currently making great improvements in terms of urban construction and industrial development, and is achieving rapid development in professional services and business support facilities. With the deepening of reforms and the strengthening of comprehensive development, Kaiping’s business cooperation environment will be increasingly mature so as to cement the foundation for business investment and settlement.

Company Statement
A sound investment environment will facilitate the formation of industrial clusters. Through specialization, industrial clusters will enable sharing of relevant industrial elements, speed up knowledge dissemination and innovation and improve the market competitiveness of enterprises within the industrial cluster.

——Guangdong IVL PET Polymer Co., Ltd.
3.1 Research Summary on Business Cooperation Environment

Feedback from the survey

- The importance rating on this dimension is 8.04 points;
- The satisfaction rating on this dimension is 8.15 points;
- In this dimension, according to the participants, the most important aspects are the local financial institutions and services, the overall level of urban economic development as well as the development of urban industrial facilities and clustering;
- In this dimension, according to the participants, the most satisfactory aspects are the development of urban industrial facilities and clustering, the overall level of urban economic development and financial services, and logistics supporting industries in the city.

Detailed importance / satisfaction

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance Rating</th>
<th>Satisfaction Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall level of urban economic development</td>
<td>5.5</td>
<td>7</td>
</tr>
<tr>
<td>Development of urban industrial facilities and clustering</td>
<td>6.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Local financial institutions and financial services</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Professional organizations and services</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Local science and technology innovation platform</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Degree of local openness and internationalization</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Local logistics supporting industries</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Local enterprise communication platform</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Excellent Tourism City in China Kaiping, Guangdong
3.2 Foreign Investment Situation

Along with an increasing level of economic development, the competitive edge and market potential of Kaiping have gradually emerged and attracted considerable attention from foreign investors.

**Major foreign investment sources and industries**

Kaiping has attracted 93 foreign investment projects in total in the past five years, where 76 projects came from Hong Kong, accounting for 82% of the total projects and occupying the dominant position; 7 projects came from America and Canada, accounting for 7%; other investment sources include Malaysia and Taiwan. Foreign investment projects have focused on the manufacturing industry and trade and business industry, which respectively account for 80% and 10% of the total quantity.

By the end of 2013, Kaiping has introduced

**1,013 foreign invested enterprises**

and utilized total foreign capital of

**2,535 million US dollars**

Two Fortune Global 500 companies have established branches in Kaiping.

**Foreign investment is starting to build up**

As the economic development level has increased in recent years, the competitive edge and market potential of Kaiping have gradually emerged and attracted considerable attention from foreign investors. From 2009 to 2013, Kaiping City has attracted a total of:

- 93 foreign direct investment projects
- 488 foreign capital utilization contracts
- 544 million US dollars of foreign direct investment
- 634 million US dollars of contracts for utilizing foreign capital

**Countries/regions with foreign direct investment in Kaiping in 2009-2013 (by number of projects)**

**Renowned foreign-funded enterprises in Kaiping**

- Bridgestone (Kaiping) High Performance Products Co., Ltd.
- Kaiping China Resources Gas Co., Ltd.
- Guangdong IVL PET Polymer Co., Ltd.
- Lianxin (Kaiping) High Performance Fiber Co., Ltd.
- Kaiping Elec & Elekt International Company Limited
- Kaiping New Widetech Electric Co., Ltd.
- Kaiping Panther Textiles Co., Ltd.
- Kaiping Falanduo Sanitary Ware Co., Ltd.
- Kaiping Weishida Condiment Co., Ltd.
- Kaiping Jiashili Group Co., Ltd.
3.3.1 Core Park —— Cuishanhu New District

Currently Cuishanhu Industrial Transfer Park is one of the key parks of Guangdong Province Industrial Transfer Park. The park has a program area of 40 square kilometers, and is located only 8 km from the downtown area of Kaiping, and owns the three major “intra-park parks” of Guohui Industrial Park, Zheshang Industrial Park, and Shunde Industrial Park.

Advanced manufacturing industry base

The park aims to forge an advanced manufacturing industry base in the Pearl River Delta region, with electronic information, hardware machinery and textile fiber as dominant industries, and encourage technology-oriented, environment-friendly and scale-benefit enterprises with independent brands and core competitiveness to set up in the park.

Complete Supporting Facilities

Complete supporting facilities have been prepared in the park, including a sewage treatment plant, logistics center, passenger station, employees’ village, and business centre. These supporting facilities will be used to meet the production, logistics, recreation and other requirements of settled enterprises, and focus on forging a better operating environment.

Strict Enterprise Access Criteria

Enterprises joining the park must adopt clean production processes and equipment in the production and processing, and the energy consumption, material consumption, pollutant emission and other standards per unit product have to be at an advanced level in the respective industry.

Source:
2013 Statistical Communique of Kaiping

Convenient Area Traffic

The park is located on both sides of the Guangzhou-Zhanjiang Expressway (Shuikou-Tangkou Section), and the expressway exit and entrance are set in the park. The planned Xinguang Railway will cross the west of the newly developed area, and a freight station is also set up in the park. An intercity rail link will be constructed about 5 km away from the southern end of the newly developed area to connect the Pearl River Delta region.
3.3.2 Core Park —— Cuishanhu New District
(Continued)

Proportions of various enterprises at Cuishanhu Industrial Transfer Park

- Hardware and bathroom plumbing
- Auto parts
- Textile fiber
- Electromechanical instruments
- Household appliances
- Material production
- Food

Settled enterprises
Cuishanhu Industrial Transfer Park has developed more rapidly and gathered a group of powerful enterprises in recent years. It has achieved initial success in scale benefits.

Renowned settled enterprises
- Bridgestone (Kaiping) High Performance Products Co., Ltd.
- Lianxin (Kaiping) Second High Performance Fiber Co., Ltd.
- Haihong Electrical Co., Ltd.
- Guangdong Sunslux Forstar Precision Machine Co., Ltd.
- Guangzhou Yue Fu Auto Supplies Co., Ltd.
- Foshan Shunde Cold Magic Air-conditioning Equipment Co. Ltd.

Three major “intra-park parks”

Guohui Industrial Park
Guohui Industrial Park is the first intra-park project introduced in the newly developed area and invested by government capital, as well as a demonstration base for upgraded small-sized enterprises to start a business.

Zheshang Industrial Park
Zheshang Industrial Park is an intra-park project introduced in the park and invested by private capital. It has attracted 25 settled enterprises.

Shunde Industrial Park
Shunde Industrial Park was jointly developed by Kaiping Municipal Government and Shunde District Government. The park has 33 signed projects with enterprises from Shunde.

Prospects for future development
At present, enterprises in the Cuishanhu Industrial Transfer Park enjoy on-site cultivation and support. Thanks to the mature “incubator” in the park, a group of potential and characteristic small/medium-sized hi-tech enterprises are constantly emerging. These enterprises are gradually becoming shining examples for the economy of Kaiping, and will generate demonstration effects in the park and even the entire Kaiping city. Expansion of these enterprises will attract more investors to develop technologies and exploit the local market, and distinguish Kaiping as one of core areas for hi-tech enterprise development in Guangdong.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
3.4 Other Major Industrial Parks

Four major industrial concentration areas
In addition to the Cuishanhui Industrial Transfer Park, Kaiping currently has the four major industrial concentration areas of Shuikou, Yueshan, Cangcheng, and Shatang. The four industrial concentration areas are all adjacent to the center of the town, enjoying very convenient traffic links. Each of the four industrial concentration districts has its own core industries, such as bathroom plumbing, electronic machinery, textile, and chemical industry.

Shatang Industrial Concentration Area
The Shatang Industrial Concentration Area is located 17 km from Kaiping. Currently ‘Shatang New Bridge’ connects it to the S274 Expressway. The district is 2.5 km from the 325 State Double Line and about 3 km from Shenyang-Haikou Expressway. Its dominant industries include pharmaceuticals, bathroom plumbing and hardware manufacturing represented by Guangdong Bio Pharmaceutical Co., Ltd., Kaiping Rider Sanitary & Electrical Appliances Co., Ltd., Kaili Biochemical Products Plant, and Hongxin Stainless Steel Strips Plant.

Cangcheng Industrial Concentration Area
The Cangcheng Industrial Concentration Area is located in the western suburbs of Cangcheng, a central town, besides the provincial Renguang Line road, 19 km from Kaiping in the east, and 5 km from the exit of the Kaiping-Yangjiang Expressway. The area has introduced more than 30 foreign and private enterprises and attracted an aggregate investment of RMB2,500 million. The area has formed characteristic industries including the production and operation of gum, paint, shoes, medium density fiberboards, and auto parts.

Yueshan Industrial Concentration Area
The Yueshan Industrial Concentration Area is located at the northeast part of Kaiping, 4 km from the 325 State Line Road and 5 km from the exit of the Kaiping-Yangjiang Expressway. The area boasts convenient traffic links and a complete infrastructure. It has formed a diversified industrial production base including household appliances, hardware accessories, chemical coatings, and motorcycle accessories.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
3.5 Supporting Business Facilities

By the end of 2013, Kaiping has constructed five starred hotels, including one five-star hotel, two three-star hotels and two two-star hotels. These hotels enjoy a good geographical location and convenient transportation connections, and provide an ideal accommodation environment and good facilities for business meetings and business trips. Two hotels, Donghuicheng Hotel and Kaiping Country Garden Phoenix City Hotel, planned and constructed according to five-star standards will open shortly.

A large number of real estate companies in Kaiping can provide comprehensive services in multiple fields such as property management, measurement and valuation, mortgage agency and assets management. Representative real estate agency companies include Centaline Property Agency Limited, Hezheng Real Estate Agency Co., Ltd., Decheng Real Estate Agency Co., Ltd., etc.

Kaiping currently boasts six law firms, over 80 lawyers, and several working points of legal aid services, which can provide comprehensive legal consultancy services to settled enterprises.

Kaiping has eight accounting firms, which can provide enterprises with a spectrum of routine financial support services including day-to-day operations, financial management, and financial consultation.

Financing guarantee companies have turned into major channels for small/medium-sized hi-tech enterprises to realize financing and expand. They also accompany the expansion and capital circulation of enterprises, reducing the financing risk and financing costs. The leading financing guarantee companies in Kaiping and surrounding areas are Kaiping Financial Resource Guarantee Co., Ltd., Jianghai Shunying, Pengjiang Yongcheng, Kaiping Yinli, etc.

Source:
2013 Statistical Communique of Kaiping
4. Infrastructure

4.1 Infrastructure Research Summary
4.2 Convenient Traffic
4.3 Convenient Traffic (Continued)
4.4 Energy Supply
4.5 Land Resources
Infrastructure is a basic factor for an enterprise considering an investment location. The degree of development of local traffic and urban facilities, and the supply level of infrastructure and supporting facilities significantly affect operation and development after an enterprise settles down.

Located to the west of the Pearl River Delta, Kaiping is an important hub connecting the west of Guangdong Province to the Pearl River Delta economic zone and developed areas such as Hong Kong and Macau, and it enjoys a unique geographical advantage and a convenient inter-city transportation network. A sufficiently supply of energy resources and various basic resources also make Kaiping rather attractive to production-oriented enterprises.

**Company Statement**

Infrastructures such as transportation and operating costs such as building rent and property cost are crucial to enterprises. Kaiping has energetically completed the infrastructure and improved the traffic environment, and also provides preferential policies in terms of operating costs such as rent. We settled down in Kaiping due to these factors.

—— Lianxin (Kaiping) High Performance Fiber Co., Ltd.
4.1 Infrastructure Research Summary

Feedback from the survey

- The importance rating of this dimension is 7.89 points.
- The satisfaction rating of this dimension is 7.67 points.
- In this dimension, research participants hold that the most important aspects are the life supporting function of the city, operating costs of enterprises, and the road traffic infrastructures of the city.
- In this dimension, research participants hold that the most satisfactory aspects are the life supporting function of the city, the transportation network around the city, and operating costs of enterprises.

Detailed importance / satisfaction

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance rating</th>
<th>Satisfaction rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government policies and services</td>
<td>9</td>
<td>8.5</td>
</tr>
<tr>
<td>Business cooperation environment</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>HR environment</td>
<td>6</td>
<td>6.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Living environment</td>
<td>5.5</td>
<td>6</td>
</tr>
<tr>
<td>Business cooperation environment</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>HR environment</td>
<td>6</td>
<td>6.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Living environment</td>
<td>5.5</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Importance rating</th>
<th>Satisfaction rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>City road traffic infrastructure</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Transportation network around the city</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>City informatization construction</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Life supporting functions of city</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Operating costs of enterprises</td>
<td>8</td>
<td>7.5</td>
</tr>
</tbody>
</table>
4.2 Convenient Traffic

Located to the west of the Pearl River Delta, Kaiping is an important hub to connect the west of Guangdong Province to the Pearl River Delta and developed areas such as Hong Kong and Macao. Since the Kaiping Municipal Government attaches great importance to infrastructure investment, Kaiping enjoys exceptional advantages in its land and water traffic situation.

**Air transport**

From Kaiping, it takes only a two-hour drive to reach Guangzhou Baiyun Airport - one of the three major airports in China. Guangzhou Baiyun Airport serves about 52.45 million passengers a year. The airport can guarantee safe takeoff and landing of 395000 airplanes all year round, and serves over 110 airlines, which can reach more than 100 cities in China and foreign countries.①

Meanwhile, after the integrated planning of the transportation infrastructure in Zhuhai, Zhongshan and Jiangmen, it takes Kaiping citizens just about an hour to travel directly to Shenzhen Airport though the Shenzhen-Zhongshan Highway and the Zhongshan-Kaiping Expressway and fly to any place in the world.②

**Road transport**

There are many expressways and national roads passing through Kaiping, so the road transport network is very convenient. At present, a number of expressways and local key projects are under construction, including the Zhongshan-Kaiping Expressway, the Heshan-Kaiping Expressway, the Jiangmen-Luoding Expressway, and the Kaiping Ring Road. Completion of these road projects will greatly speed up the economic takeoff of Kaiping.

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**Source:**

① Official website of Baiyun International Airport

② Guangzhou Daily

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**Half-hour living circle**

Foshan-Kaiping Expressway, Kaiping-Yangjiang Expressway, and the 325 State Line Road run through Kaiping and form a “half-hour living circle” together with the belt expressway.

**One-hour business circle**

Only a 90-minute drive from Kaiping to Guangzhou/Zhuhai through Foshan-Kaiping Expressway.

**Three-hour business circle**

Only a three-hour drive from Kaiping to Shenzhen/Hong Kong.
4.3 Convenient Traffic (Continued)

Water transport
Kaiping has developed riverways. The Tanjiang River runs through the heart of the city, and leaf-like tributaries provide convenient water transport conditions for Kaiping.⁰

Kaiping Sanbu Harbor is located at the water network zone of the Pearl River Delta and listed as a level-1 port of the country, with berths of 1000 tons. There are container terminals and bonded warehouses, as well as all varieties of joint inspection organizations and comprehensive facilities. The annual throughput capacity of the freight port exceeds 2 million tons, and the annual handling capacity of containers is 80000 standard containers (TEU). Therefore, business and trade are very convenient. In 2013, the cargo handling capacity of Kaiping port reached 10.4376 million tons.¹

Goods can arrive at Gaosha Port, Hetang Port, Waihai Port, Xinhui Port, and Taishan Shenshui Port through the developed highway network of Kaiping. The waterway transport network is very well-equipped.

Rail transport
The Shenzhen-Maoming Railway under construction starts from North Shenzhen and terminates at Maoming after passing seven cities including Dongguan, Guangzhou and Zhongshan, with a total length of 265 km. The railway will open to traffic in 2018. The Jiangmen section is at about 109.52 km, and Kaiping section is at about 23.58 km. The railway will pass the Sanbu Subdistrict, Chikan Town, Xiangang Town, Jinji Town, and Chishui Town of Kaiping. After the railway is constructed, the railway operating duration between Guangzhou and Maoming will be shortened from over 5 hours to about 2.5 hours, and the line can reach the speed of 200 to 250 km/h.

Urban traffic
The downtown area of Kaiping carries out a systematic and uniform management of buses and taxis in the city. The good order and excellent service create an ideal intra-city traffic environment for traveling, visiting relatives, and business negotiations.²

Source:
① Statistical Communique of Kaiping on the 2013 National Economic and Social Development
② Traffic Overview of Kaiping
4.4 Energy Supply

**Stable electricity supply**

Kaiping is adjacent to the industry base of electric energy in China and proves to be one of the cities with the most stable electricity supply in the Pearl River Delta region.

Taishan Nuclear Power Plant near Kaiping is a new nuclear power plant, with a stable electricity supply capacity. In recent years, Kaiping has vigorously pushed power grid construction and clean energy applications to mitigate the risk of insufficient energy supply in the Pearl River Delta region.

**Rich water resources**

The major river in Kaiping is Tanjiang River, with an average annual amount of water resource of 4.394 billion cubic meters. The water resource per capita is higher than the average level of China and of Guangdong Province.

**Kaiping Power Grid Tariff**

<table>
<thead>
<tr>
<th>Electricity use category</th>
<th>Price (RMB: Cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large industrial power price per KWH</td>
<td></td>
</tr>
<tr>
<td>1-10 KV</td>
<td>66.94</td>
</tr>
<tr>
<td>35-110 KV</td>
<td>64.44</td>
</tr>
<tr>
<td>220 KV and above</td>
<td>61.94</td>
</tr>
<tr>
<td>Commercial power price per KWH</td>
<td></td>
</tr>
<tr>
<td>&lt;1 KV</td>
<td>95.90</td>
</tr>
<tr>
<td>1-10 KV</td>
<td>93.40</td>
</tr>
<tr>
<td>&gt;35KV</td>
<td>90.90</td>
</tr>
</tbody>
</table>

**Power supply network**

Kaiping plans to construct one 500KV transformer substation, six 220KV transformer substations and thirty 110KV transformer substations by the year of 2020.

**Water supply plan**

Kaiping plans to realize a uniform running water supply throughout the city by the year of 2020, and achieve a proportion of industrial water supplied by water supply plants above 30%.

As a major industrial city, Kaiping attaches importance to the supply of all types of energy resources, and constantly upgrades the infrastructure to meet production requirements of enterprises.

**Gas supply**

Kaiping plans to supply gas to downtown and major towns (streets) through the medium pressure gas network by the year of 2015.

Source:

Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
4.5 Land Resources

In China, project investors can construct factories through land use right assignment or purchase/rent standard factories.

Kaiping has an administrative area of 1,679 square kilometers, occupying 3.7% of the Pearl River Delta region, and its land resource is relatively abundant because more land reserve resources are available. Given that the economic development speed increases day by day, and the supplied land becomes increasingly scarce, the strength of Kaiping in abundant land resource will significantly accelerate its future economic development.

**Kaiping land prices (RMB)**

<table>
<thead>
<tr>
<th></th>
<th>RMB168 to RMB336/square meter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land transfer price</td>
<td></td>
</tr>
<tr>
<td>Workshop rental price</td>
<td>RMB8 to RMB13/square meter/month</td>
</tr>
<tr>
<td>Dormitory rental price</td>
<td>RMB6 to RMB9/square meter/month</td>
</tr>
<tr>
<td>Industrial land use tax</td>
<td>RMB4/square meter/Year</td>
</tr>
</tbody>
</table>

**Average land transfer price comparison of industrial land**

As the macroeconomic control and economic development has constantly boosted land prices in recent years, the land prices of first-tier cities in China have risen continuously. This makes the stable and competitive land prices of Kaiping rather attractive to enterprises.

Kaiping owns sufficient land reserve resources. The whole city has 98 reserved lands, with an area of over 2 million square meters in total, including 35 one-level reserved lands of the city, with an area of more than 900,000 square meters. 35 reserved lands of Cuishanhu, with an area of more than 1 million square meters.

Kaiping actively meets the requirements of all kinds of enterprises, and has constructed sufficient standard factories in the new Cuishanhu Industrial Park, so reserve resources are abundant. The workshop rental is RMB5.5 to RMB7/square meters.

**Source:**

① Overview of Kaiping City
5. Human Resources

5.1 Human Resources Research Summary
5.2 Human Resources Supply and Demand
5.3 Human Resources Cost
Introduction

Talents are one of the most critical economic driving factors in the 21st century. The overall competitiveness of an enterprise depends on whether the enterprise has high-caliber human resources.

Talents have kept coming out in the history of Kaiping, a famous hometown of overseas Chinese in China. Numberless people set sail here and ventured into the world. Nowadays, the economy of Kaiping is developing steadily and Kaiping’s advantages in all aspects are attractive to all kinds of talents. All kinds of comprehensive institutions of higher education, vocational technology schools and training organizations nearby constantly meet the requirements of Kaiping enterprises for attracting talents.

Company Statement
Kaiping attaches great importance to the introduction of talent and has created a situation where leading industrial companies and the talent pool rely on each other in the city. Rich talent resources in the city provide a sound environment for enterprises to receive reliable human resources from everywhere.

—— Kaiping Panther Textiles Co., Ltd.
5.1 Human Resources Research Summary

Feedback from the survey

- The importance rating of this dimension is 7.86 points.
- The satisfaction rating of this dimension is 7.77 points.
- In this dimension, research participants hold that the most important aspects are the basic labor supply level, labor cost, and the degree of harmony in employee-employer relations in the city.
- In this dimension, research participants hold that the most satisfactory aspects are labor cost, the degree of harmony in employee-employer relations, and the scientific and educational level of the city.

Detailed importance / satisfaction
5.2 Human Resources Supply and Demand

Abundant college resources in and around the city
Kaiping is located in an important area of the Pearl River Delta region and boasts rich educational resources in terms of colleges and universities. Kaiping Broadcasting Television University in the city is a national demonstrative basic-level TV university, and a lot of famous schools in the Pearl River Delta region such as Zhongshan University and Jinan University are also located within the “one-hour business circle” of Kaiping.

Vocational education resources
Vocational education and training systems are well developed in Kaiping. Two national key secondary vocational schools are located in the city: Wu Han Liang School of Technology of Kaiping and Kaiping City Electrical Secondary Vocational and Technical School, which have cultivated professional talents satisfying various development requirements.

Some well-known universities in the “one-hour business circle” of Kaiping

<table>
<thead>
<tr>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zhongshan University</td>
</tr>
<tr>
<td>Jinan University</td>
</tr>
<tr>
<td>South China University of Technology</td>
</tr>
<tr>
<td>South China Normal University</td>
</tr>
<tr>
<td>Guangdong University of Foreign Studies</td>
</tr>
<tr>
<td>University of Hong Kong</td>
</tr>
<tr>
<td>University of Macau</td>
</tr>
<tr>
<td>Hong Kong University of Science and Technology</td>
</tr>
<tr>
<td>Beijing Normal University (Zhuhai)</td>
</tr>
<tr>
<td>Beijing Institute of University (Zhuhai)</td>
</tr>
</tbody>
</table>

Talent demand
Along with an increasingly mature development and a continuously expanding scale, the demand for talents of Kaiping enterprises, especially high-caliber talents, will rise further. To meet this end, the Kaiping Municipal Government has also issued a range of competitive policies to help enterprises attract and retain medium/high-end talents. Looking ahead, Kaiping will gradually become a fertile ground for high-quality talents to achieve the career goals.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
5.3 Human Resources Cost

HR is one of determining factors for an enterprise to win the competition in the era of the knowledge economy. Therefore, HR costs are gradually becoming the first operating costs to be considered by an enterprise. HR costs mainly refer to the cost of salaries paid to employees and the social security costs of all social security benefits paid for employees.

**Salary level of employees**

In 2013, the annual average salary of the occupied population in the city and towns of Kaiping is RMB42,349, indicating a year-on-year growth of 19.6%.

**Annual average salary of occupied population in the city and towns**

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>19,022</td>
</tr>
<tr>
<td>2010</td>
<td>22,508</td>
</tr>
<tr>
<td>2011</td>
<td>28,658</td>
</tr>
<tr>
<td>2012</td>
<td>35,399</td>
</tr>
<tr>
<td>2013</td>
<td>42,349</td>
</tr>
</tbody>
</table>

**Social security cost**

In China, companies shall pay a fixed proportion of social security fee for employees according to the law, including medical insurance, housing fund, etc. The proportion of social security paid by Kaiping enterprises to an employee’s total salary is 22% to 23% in accordance with relevant regulations.

<table>
<thead>
<tr>
<th>Social insurance name</th>
<th>Payment rate of enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>13%</td>
</tr>
<tr>
<td>Medical insurance</td>
<td>6.5%</td>
</tr>
<tr>
<td>Employment injury insurance</td>
<td>0.5-1.5%</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>1.5%</td>
</tr>
<tr>
<td>Maternity insurance</td>
<td>0.45%</td>
</tr>
</tbody>
</table>

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
6. Living Environment

6.1 Living Environment Research Summary
6.2 Harmonious Living Environment
6.3 Medical and Educational Resources
6.4 Cultural and Artistic Atmosphere
Introduction

The living environment involves factors such as the ecological and human environment, life supporting facilities, and educational and medical resources. The development level of the living environment directly relates to citizens’ life and work quality. Kaiping is a renowned hometown of overseas Chinese, the home of architecture, the home of art in China and the first county-level national garden city in Guangdong, and even a famous area of watchtowers. With its rich cultural landscape, Kaiping is committed to creating a habitable and leisure city environment, enabling citizens to enjoy a good and prosperous life in a green and harmonious atmosphere.

Company Statement

Kaiping is characterized by a profound cultural foundation and wonderful environment. Watchtowers and villages form a unique landscape, making new Kaiping people that start a business and invest here not only feel the warmth of home, but also perceive the vigor and vitality of the city.

——Kaiping China Resources Gas Co., Ltd.
6.1 Living Environment Research Summary

Feedback from the survey

- The importance rating of this dimension is 7.68 points.
- The satisfaction rating of this dimension is 7.84 points.
- In this dimension, research participants hold that the most important aspects are the educational facilities and services, the ecological environment, and the public security of the city.
- In this dimension, research participants hold that the most satisfactory aspects are the living costs, ecological environment, and public security of the city.

Detailed importance / satisfaction

- Importance rating
- Satisfaction rating

- Ecological environment level
- Living cost
- Modernization/internationalization level of communities
- Business circles and supporting services of city entertainment, leisure and sports facilities
- Medical facilities
- Educational facilities and services
- Public security environment
6.2 Harmonious Living Environment

Ecological environment
Kaiping has a subtropical marine climate, characterized by a rainy season with high temperatures, sufficient sunlight, plenty of rainfall, and a generally pleasant climate. The annual average temperature of Kaiping is 21.5°C, and the annual precipitation is 1,700 mm to 2,400 mm.

Green Kaiping
Kaiping has always adhered to the concept of sustainable development and has developed a new evergreen garden city. By the end of 2013, the green coverage ratio in the city of Kaiping was as high as 42.2%. It is expected to reach 45% by 2020.

At present, Kaiping has 8 natural protection areas and forest parks, and nearly 50 small natural protection blocks. The south and north side of the city are covered with large areas of forest lands, forming "green lungs" that supply fresh air to the people of Kaiping. All kinds of public facilities in the city and the construction of municipal roads are also reminiscent of the graceful bearings of a garden city, and blend into the forest and countryside, exuding the charm of a green hometown of overseas Chinese.

Life supporting facilities

Exclusive residential communities
As of the end of 2013, Kaiping has constructed many exclusive residential communities including Kaiping Country Garden, Easco City, Helen Bergh, and Tianfu Haoting, which offers a pleasant and peaceful environment for living and working in Kaiping.

Shopping paradise
Since the economy has developed rapidly and consumer demand has increased in recent years, a number of large-scale commercial complexes have been constructed in Kaiping, including Zhongye New City, Central Plaza, and Easco City, the first large-scale urban complex in western Guangdong Province. Construction of these commercial complexes not only indicates that the commercial development level of Kaiping has entered a new phase, but also gives citizens a chance of experiencing the convenience of a new urban lifestyle.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
Jiangmen Daily
6.3 Medical and Educational Resources

Medical resources
Kaiping boasts the three major health care systems of disease prevention and control, medical treatment, and sanitary supervision, which aim to guarantee a healthy life for its citizens.

At present, Kaiping has 25 health care facilities, including 6 hospitals, 14 health centers, 1 maternal and child health hospital, 2 special prevention institutes (stations), 1 disease control and prevention center, and 1 health supervision institute.

Kaiping major medical institutions (examples)
- Kaiping Central Hospital
- Kaiping No.2 People’s Hospital
- Kaiping No.3 People’s Hospital
- Kaiping Shuikou Hospital
- Kaiping Maternal and Child Health Hospital

Educational environment
Kaiping has abundant overall educational resources, and its educational development level maintains a leading position in surrounding areas. As of the end of 2013, Kaiping has established nearly 90 primary schools and middle schools, employed nearly 7,000 teachers, and recruited more than 110,000 students.

<table>
<thead>
<tr>
<th>School</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined junior and senior high schools (including vocational schools)</td>
<td>11</td>
</tr>
<tr>
<td>Junior middle schools</td>
<td>19</td>
</tr>
<tr>
<td>Primary schools</td>
<td>89</td>
</tr>
<tr>
<td>Nine-year system schools</td>
<td>3</td>
</tr>
<tr>
<td>Kindergartens</td>
<td>74</td>
</tr>
</tbody>
</table>

Kaiping No.1 Middle School
Kaiping No.1 Middle School was set up in 1919 and is a national key model middle school, with a floor area of nearly 120,000 square meters and a leading infrastructure. The school has employed a lot of outstanding teachers and boasts a strong teaching staff. Kaiping No.1 Middle School has cultivated a large number of excellent students and established exchange and cooperation relationships with many middle schools around the world.

Kaiqiao Middle School
Founded in 1933, Kaiqiao Middle School is a national key model middle school and also a well-known school set up using funds raised by overseas Chinese in Guangdong. This school has a long history with profound humanistic connotations. It is also the only overseas Chinese school in China that owns fixed school assets in Hong Kong. Moreover, Kaiqiao Middle School boasts a strong teaching staff, has alumni in every corner of the world, and has produced a large number of talents to society.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
6.4 Cultural and Artistic Atmosphere

In addition to the unique world cultural heritage in Guangdong - Kaiping watchtowers and villages, Kaiping also showcases profound historical and humanistic features and rich folk customs, providing people with a wide range of pleasures and delights.

**Rich variety of mass cultural activities**

The folk and cultural customs of Kaiping show a unique style with their own traditions, and mass cultural activities are especially fantastic. These activities, from eight-tone drums to Chinese rap, dragon lantern dancing of Shuikou Pan Village to popular dragon boat racing, and the traditional snacks such as salty rice pudding and the distinctively Kaiping Chikan tofu all give great fun to the life of local citizens.

**Profound overseas Chinese culture**

Kaiping is known as a cradle of brilliant talents. As a famous hometown of overseas Chinese, Kaiping has brought forth Mr. Situ Meitang (a renowned overseas Chinese) and Mr. Li Guowei (a famous person of virtue from Hong Kong) who made major contributions to the founding of New China. They are both outstanding representatives of the hometown of overseas Chinese. A lot of distinguished personages in the commercial and film and TV circles of Hong Kong and Macau have also come from Kaiping.

- **Center of Culture and Arts**
  In recent years, Kaiping vigorously promoted construction of city cultural venues such as cultural centers, libraries, art galleries and museums, and has opened a large variety of venues that are free to visit. The city’s public cultural services capability has been further boosted.

- **Tam Fung King Art School**
  On November 27, 2012, Tam Fung King Art School was completed and put into use. It became another cultural landmark platform of Kaiping. On the completion day, the Second National Album Calligraphy Work Exhibition was held at Tam Fung King Art School. Kaiping thus sent out the powerful signal that a county-level city was organizing an authoritative national calligraphy exhibition, and giving citizens the opportunity of appreciating the national masters’ valuable works of calligraphy on their doorstep.

Source:
Data provided by the Scientific and Commercial Affairs Bureau of Kaiping
Kaiping Television Stations
Based on the above analysis and by combining the interviews with Kaiping government departments and locally established enterprises and the research results of over one hundred questionnaires, this report summarizes the most attractive advantages of Kaiping:

1. **Excellent business cooperation environment**
Kaiping is located at the heart of the Pearl River Delta economic circle, and the ideal natural endowment of location and economic development foundation has enabled Kaiping to gradually cultivate an industrial cluster with traditional characteristics and a powerful force for industry convergence and radiation force. The significant economies of scale have not only created a sound business cooperation environment for business growth and innovative development of enterprises, but have also laid the groundwork for transformation and upgrading the city’s overall industrial structure. Meanwhile, the infrastructure and supporting functions of Cuishanhu Industrial Transfer Park and four major industrial concentration areas have been constantly improved, providing a fertile development background for settled enterprises in Kaiping.

2. **Comfortable living environment**
As a tourist attraction well-known far and near for its watchtowers and villages, Kaiping boasts a beautiful city environment and is a green and ecological garden city. Besides the rich historical and cultural heritage of the hometown of overseas Chinese, Kaiping has constructed a modern transportation network, commercial facilities and living communities, and its supporting functions have been continuously improved. The developed three-dimensional transportation network has created the “half-hour living circle” of Kaiping, meeting all kinds of work and life requirements of citizens and investors.

3. **People-oriented serving government**
The Kaiping Municipal Government has a deep understanding of industrial structure adjustments, transformation and upgrading requirements. Its policy guidance is reasonable, and highly focuses on the coordinated development of the traditional competitive industries, recently emergent industries and the green economy. In addition, all government departments as well as industrial park and industrial concentration area administration departments sincerely and actively provide transparent, simple and interactive one-stop services geared towards the actual development requirements of enterprises, and government operations are pragmatic and efficient.

The “12th Five-Year Plan Period” is drawing to an end. It is obvious to all that Kaiping has made great achievements in urban construction and economic progress in these years of development. The constantly changing complex economic environment at home and overseas poses both an opportunity and a challenge to Kaiping.

Looking ahead, Kaiping will proceed to regard transformation and upgrading as the focus of development, forge new industries and a green economy, reinforce a modern services industry, and promote cross-border cooperation, in the hope of developing Kaiping into an strong economic city full of energy in the Pearl River Delta region, an ideal place for tourism, holidays, as well as a liveable garden city.

Finally, I would like to express my sincere thanks to the Kaiping Municipal Government, the Kaiping Bureau of Science & Technology, Industry & Information, and Foreign Trade & Economic Cooperation, and all governmental departments for their enthusiastic support and information sharing during the preparation of this report. I also wish to express heartfelt thanks to the enterprises participating in the research and interviews for their insights.

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**According to the survey results, Kaiping enterprises are mostly satisfied with the following dimensions:**
- Business cooperation environment
- Living environment
- Government policies and services

**The most important dimensions:**
- Government policies and services
- Business cooperation environment
- Infrastructure

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**Summary**

Excellent Tourism City in China Kaiping, Guangdong 47
Appendices

1. Registered Capital and Total Investment of Foreign-Invested Enterprises

2. Main Taxes Applicable to Foreign-Invested Enterprises
1. Registered Capital and Total Investment of Foreign-Invested Enterprises (FIEs)

**Capital Contributions**
Foreign investors can contribute capital with freely exchangeable foreign currency or tangible/intangible property, such as machinery and equipment, industrial property rights and/or proprietary technology, etc. Cross-border RMB also can be used for direct investment. Subject to the approval of the relevant authorities, foreign investors can make capital contributions using RMB profits earned by other FIEs set up in China.

**Proportion of Total Investment and Registered Capital**
Investors wishing to set up an FIE in China must comply with the rules governing the ratio of registered capital to total investment. Compliance with these rules also is required for an increase in capital, but not for the total investment after the increase.

**Contribution Requirements**
The registered capital of a limited liability company is the total equity or capital contributions to be paid in full by the shareholders, which is registered with the government authorities. The minimum paid-up value and the minimum registered capital of a limited liability company must be in compliance with administrative regulations and decisions of the State Council. Shareholders must fully pay their subscribed capital contributions as stipulated in the company’s articles of association. Cash contributions must be deposited in the company’s bank account. Noncash contributions must be made in compliance with the law. Shareholders that fail to make full payment of their capital contributions are jointly and severally liable for that amount to the company and other shareholders, as well as to creditors if the company is unable to pay its debts.

<table>
<thead>
<tr>
<th>Total investment</th>
<th>Registered capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over USD 30 million</td>
<td>At least 1/3 of the total investment, but if the total investment of a project is less than USD 36 million, the registered capital must be at least USD 12 million</td>
</tr>
<tr>
<td>Between USD 10 million and USD 30 million</td>
<td>At least 40% of the total investment, but if the total investment of a project is less than USD 12.5 million, the registered capital must be at least USD 5 million</td>
</tr>
<tr>
<td>Between USD 3 million and USD 10 million</td>
<td>At least 50% of the total investment, but if the total investment in a project is less than USD 4.2 million, the registered capital must be at least USD 2.1 million</td>
</tr>
<tr>
<td>Less than USD 3 million</td>
<td>At least 70% of the total investment</td>
</tr>
</tbody>
</table>

Source:
2. Company Law of the People’s Republic of China (Chairmen’s Order No. 8 (2013))
3. Provisional Regulations for the Proportion of Registered Capital to Total Amount of Investment of Joint Ventures Using Chinese and Foreign Investment (State Administration for Industry and Commerce No. 38 (1987))
## 2. Main Taxes Applicable to Foreign-Invested Enterprises

<table>
<thead>
<tr>
<th>Income tax</th>
<th>Scope of taxation</th>
<th>Tax rate</th>
</tr>
</thead>
</table>
| **Corporate income tax**    | Resident enterprises are subject to corporate income tax on income derived within China and abroad. Nonresident enterprises are subject to corporate income tax on income derived within China and income generated outside China but effectively connected to their offices and places within China. | Statutory tax rate: 25%  
Small profit tax rate: 20%  
High-tech corporate tax rate: 15%  
Withholding tax rate: 10% |
| **Personal income tax**     | An individual who is resident in China or who is not resident in China, but has stayed in China for a full year is subject to personal income tax on worldwide income.  
An individual who is not resident in China and has not stayed in China or who is not resident, but has stayed in China for less than one year is subject to personal income tax on income derived from China-source income.  
There are 11 types of income, including wages and salaries and compensation for labor. | Statutory tax rate: 3%-45% |
| **Turnover tax**            |                                                                                                                                                                                                                  |                                                                         |
| **Value-added tax**         | VAT is levied on an individual or entity engaged in the sale of goods, the provision of processing, repair and replacement services, the provision of certain modern services and the import and transport of goods.   | Statutory tax rate: 0%, 6%, 11%, 13%, 17%                               |
| **Consumption tax**         | Consumption tax applies to individuals and entities engaged in the production, outsourcing of processing and the import or sale of 14 categories of consumer goods (e.g. cigarettes, alcohol, cosmetics, etc.).  
The consumption tax amount is derived from a calculation of an ad valorem rate and a fixed amount.  
There are 14 classes of taxable consumer goods, including cigarettes, alcohol and cosmetics. | Ad valorem statutory rate: 1%-56%                                       |
| **Business tax**            | Business tax is imposed on entities and individuals that provide taxable services, transfer intangible assets or sell real estate in China.                                                                                             | Statutory tax rate: 3%-20%                                              |
| **Customs duties**          | The consignee of imported goods, the consignor of exported goods and owners of imported goods are required to pay customs tariffs.                                                                                                                              | Varies                                                                 |
| **Other taxes**             |                                                                                                                                                                                                                  |                                                                         |
| **Deed tax**                | Deed tax is imposed on the transferee of real property in China, and is calculated based on the price of the property.                                                                                                           | Statutory tax rate: 3%-5%                                             |
| **Property tax**            | The owner of real property located in urban areas is subject to the real estate tax, based on the assessed or rental value of the property.                                                                                                             | Statutory tax rate (according to the tax value): 1.2%  
Statutory tax rate (based on rental income): 12%                          |
| **Land appreciation tax**   | Land appreciation tax is levied on the transfer of state-owned land and/or architectural buildings and fixtures, depending on the gain realized.                                                                                                            | Statutory tax rate: 30%-60%                                           |
| **Stamp duty**              | Stamp duty is levied on written contracts and other prescribed documents in China. The duty is based on the number of pages or the amount in the instrument.                                                                                               | Statutory tax rate (based on certificate amount): 0.005%-0.1%  
Certificate cost: RMB 5 per page                                         |

Source:  
State Administration of Taxation (as of July 31, 2013)
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Excellent Tourism City in China Kaiping, Guangdong
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